



**Auditor of State  
Betty Montgomery**



NEW MARKET TOWNSHIP  
HIGHLAND COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

New Market Township  
Highland County  
5870 Shaw Lane  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of New Market Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Board and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 7, 2003

**NEW MARKET TOWNSHIP  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$36,539	\$45,924		\$82,463
Intergovernmental	20,359	72,532		92,891
Earnings on Investments	797	599	\$540	1,936
Other Revenue	150	201		351
Total Cash Receipts	<u>57,845</u>	<u>119,256</u>	<u>540</u>	<u>177,641</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	51,774			51,774
Public Safety	0	18,070		18,070
Public Works	0	72,560		72,560
Health	3,880	6,798		10,678
Capital Outlay		691		691
Total Cash Disbursements	<u>55,654</u>	<u>98,119</u>	<u>0</u>	<u>153,773</u>
Total Receipts Over Disbursements	<u>2,191</u>	<u>21,137</u>	<u>540</u>	<u>23,868</u>
Fund Cash Balances, January 1	<u>48,027</u>	<u>81,703</u>	<u>19,570</u>	<u>149,300</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$50,218</u></b>	<b><u>\$102,840</u></b>	<b><u>\$20,110</u></b>	<b><u>\$173,168</u></b>

*The notes to the financial statements are an integral part of this statement.*

**NEW MARKET TOWNSHIP  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$36,779	\$43,695		\$80,474
Intergovernmental	50,162	70,021		120,183
Earnings on Investments	1,687	1,532	\$949	4,168
Other Revenue	234	2,054		2,288
	<u>88,862</u>	<u>117,302</u>	<u>949</u>	<u>207,113</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	46,325	7,725		54,050
Public Safety		17,436		17,436
Public Works		78,892		78,892
Health	3,500	174		3,674
Capital Outlay	5,660			5,660
	<u>55,485</u>	<u>104,227</u>	<u>0</u>	<u>159,712</u>
Total Receipts Over Disbursements	<u>33,377</u>	<u>13,075</u>	<u>949</u>	<u>47,401</u>
Fund Cash Balances, January 1	<u>14,650</u>	<u>68,628</u>	<u>18,621</u>	<u>101,899</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$48,027</u></u></b>	<b><u><u>\$81,703</u></u></b>	<b><u><u>\$19,570</u></u></b>	<b><u><u>\$149,300</u></u></b>

*The notes to the financial statements are an integral part of this statement.*



**NEW MARKET TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

New Market Township, Highland County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and cemetery maintenance. The Township contracts with the City of Hillsboro to provide fire protection services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Deposits**

The Township deposits all available funds in a "Public Fund Now" checking account and certificates of deposit with a local commercial bank.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund

This fund receives gasoline tax and motor vehicle license tax money to pay for constructing, maintaining and repairing Township roads.

Gasoline Tax Fund

This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**NEW MARKET TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Road and Bridge Fund

This fund receives property tax money for constructing, maintaining and repairing Township roads.

Fire Levy Fund

This fund receives property tax money for the fire protection contract with the City of Hillsboro.

Cemetery Levy Fund

This fund receives property tax money for maintaining and operating Township cemeteries.

Permissive Motor Vehicle License Tax Fund

This fund receives proceeds from taxes levied by the Township and levied by Highland County on motor vehicle license sold for road maintenance and repairs.

**3. Fiduciary Funds (Nonexpendable Trust Funds)**

These funds are used to account for bequests to the Township for cemetery care.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. There were no material encumbrances at December 31, 2002 and 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**NEW MARKET TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH AND DEPOSITS**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2002	2001
Demand deposits	\$103,583	\$79,715
Certificates of deposit	69,585	69,585
Total deposits	\$173,168	\$149,300

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,647	\$57,845	\$8,198
Special Revenue	128,015	119,256	(8,759)
Fiduciary	711	540	(171)
Total	\$178,373	\$177,641	(\$732)

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97,674	\$55,654	\$42,020
Special Revenue	209,718	98,119	111,599
Fiduciary	3,627	0	3,627
Total	\$311,019	\$153,773	\$157,246

**2001 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,613	\$88,862	\$39,249
Special Revenue	121,740	117,302	(4,438)
Fiduciary	979	949	(30)
Total	\$172,332	\$207,113	\$34,781

**NEW MARKET TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,928	\$55,485	\$10,443
Special Revenue	148,036	104,227	43,809
Fiduciary	2,700	0	2,700
Total	\$216,664	\$159,712	\$56,952

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. RETIREMENT SYSTEMS**

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**Commercial Insurance**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**NEW MARKET TOWNSHIP  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31 (the latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	9,379,003	8,924,977
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
 <u>Property Coverage</u>	 <u>2001</u>	 <u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	647,667	497,831
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

New Market Township  
Highland County  
5870 Shaw Lane  
Hillsboro, Ohio 34133

To the Board of Trustees:

We have audited the accompanying financial statements of New Market Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2002-40436-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 7, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 7, 2003.

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 7, 2003



**NEW MARKET TOWNSHIP  
HIGHLAND COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2002-40436-001**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.10, requires that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. The Homestead and Rollback distributions for 2002 due to the Road and Bridge Fund of \$252, Cemetery Levy Fund of \$1,257, and Fire Levy Fund of \$2,765 were improperly credited to the General Fund. The Senate Bill 3 and 287 Public Utilities distributions for 2002 due to the Road and Bridge Fund of \$46, Cemetery Fund of \$234, and Fire Levy Fund of \$940 were improperly credited to the General Fund. Adjustments were made to the Township financial records to credit the proper special levy funds and said adjustments are reflected in the accompanying financial statements.

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**NEW MARKET TOWNSHIP  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-40436-001	Ohio Rev. Code, 5705.09 (F) - fund not established for the Ohio Public Works Commission Grant.	N/A - no grants received in 2001 or 2002	
2000-40436-002	Ohio Rev. Code, 5705.36 – estimated receipts exceeded actual receipts and excess was appropriated.	No	Repeated in management letter
2000-40436-003	Ohio Rev. Code, 5705.40 – appropriation amendments posted not approved by Board Resolution	Yes	
2000-40436-004	Ohio Rev. Code, 5705.41(B) – expenditures exceeded appropriations	Yes	
2000-40436-005	Ohio Rev. Code, 5705.41(D) – prior certification for purchase commitments not obtained	Yes	
2000-40436-006	Ohio Admin. Code – 117-3-01 proper codes not used for receipts and disbursements	No	Code changed - Repeated as management letter recommendation
2000-40436-007	Finding for Recover – bill paid twice	Yes	
2000-40436-008	Amounts paid to vendors did not always match bills and balances owed not properly maintained in records.	Yes	





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**NEW MARKET TOWNSHIP**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 27, 2003**